

Hi:

This news article appeared on the back page of the Union Leader today (17 Jan 02). It was originally done in The Washington Post. I thought you might appreciate the opportunity to read the article.

Jim

By AL KAMEN  
The Washington Post

### Charge It to Superfund

This just in from Jacksonville, Fla. Somchart "Nick" Fungcharoen, a retired Army Corps of Engineers engineer, is suing a former Hooters waitress, claiming the \$3,940 he gave her to enlarge her breasts three years ago was a loan.

The waitress, Jennifer Gilpin, now a police officer, Monday told Duval County Judge Harold C. Arnold that she thought the money was a gift, according to an account in the Florida Times-Union.

There was no written agreement, but Fungcharoen used a government credit card to pay the doctor.

"You paid for this breast enlargement with a government credit card?" the judge asked, noting the card read, "For official government travel only."

"Yes, it's for traveling and emergency medical care," Fungcharoen said, adding that he paid the government back.

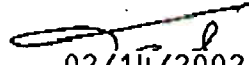
Times-Union reporter Jessie-Lynn Kerr tells us the judge ruled yesterday that Fungcharoen didn't prove his case.

Unclear whether the funds initially were charged to the environmental mitigation account or the engineering and design account.

2-14-02

Hi Linda

Hope you and  
Sandy enjoy the  
article

  
02/14/2002 05:55AM

now it is a much tougher case for the prosecution. The jurors now are operating under no illusions that she is going to be set free."

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A handful of bishops already have made changes, ousting dozens of priests accused of molestation and working more closely with prosecutors. However, some Catholics — particularly liberals — say reform is needed beyond how the church addresses misconduct in its ranks.

### Officers defaulting on debts

WASHINGTON — More than 700 military officers have walked away from debts on their government-issued credit cards, and one Navy employee who charged thousands in personal expenses has been promoted to the office that oversees Army finances.

Testifying Wednesday before a House panel, Sen. Charles Grassley, R-Iowa, said those disclosures and the findings of a continuing General Accounting Office investigation show that credit card abuse isn't being taken seriously at the Pentagon.

### Report: Clinton abused power

WASHINGTON — Former President Bill Clinton abused his power by giving pardons to controversial figures like Marc Rich based on the recommendations of relatives and confidants, a congressional report says.

"Clinton granted pardons and commutations to individuals who never would have received clemency but for the fact that they hired individuals close to the president to represent them," a House Government Reform Committee report said.

### Fallen SEAL gets Bronze Star

WASHINGTON — The Navy SEAL killed after falling from a helicopter during battle in Afghanistan has been awarded the Bronze Star.

The medal honors the service

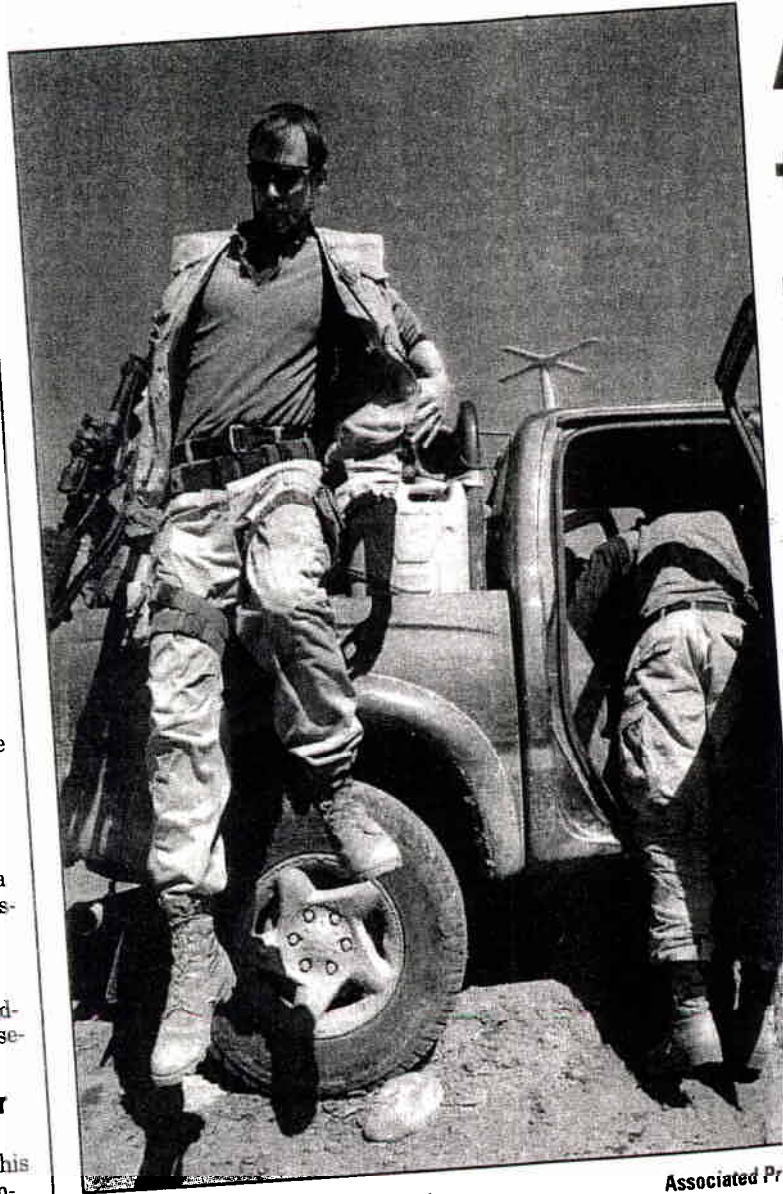
Israeli side in March.

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See ISRAEL on B3

and to resume a serious negotiating process, Cheney said.

The Bush administration, which has declared that Palestinian leader Yasser Arafat did to end the violence, has lately been more



Associated Press

**ON DUTY** — A U.S. special forces officer jumps off his pickup truck Wednesday as he prepares to leave the Paktia province village Shah-e-Kot, Afghanistan.

# Mugabe wins in Z

By RAVI NESSMAN

Associated Press Writer

HARARE, Zimbabwe — President Robert Mugabe was declared the winner Wednesday of Zimbabwe's bitterly contested presidential election — a victory opponents and independent observers said was tainted by intimidation and fraud but backers saw as a mandate for seizing white-owned land.

The government said Mugabe was re-

Tsvangirai denounced the biggest election fraud

mer labor leader also was "illegitimate in the

The United States said Mugabe by violence and intimidation.

"We are dealing with a figure out how to do this," President G. news conference.

Federal Times  
March 18, 2002  
Pg. 6

## Contractors Bid To Untangle DoD Finances

By Bridgette Blair

The Pentagon in the next few days plans to hire a contractor to help it streamline and modernize its tangle of uncoordinated and ineffective financial management systems.

The Defense Department expects the contractor to help it map out a multiyear plan to consolidate or weed out scores of systems, repair others, and replace others.

Pentagon Comptroller Dov Zakheim said the department hopes to whittle down its 673 existing resource-tracking systems to about 60 within five years.

"I would hope that we would at least get it down to something like 10 percent or less of what we have now," Zakheim told Federal Times March 12. "That would be a huge accomplishment."

Specifically, the winner of the 12-month contract will be tasked to construct a blueprint — called an enterprise architecture — of the current financial-management systems and how they interact. That architecture also will provide a detailed blueprint of how a repaired financial management system would look: the systems needed and how they would interact. Finally, the contractor will be asked to outline a transition to achieve the repair plan.

Congress appropriated \$100 million for the enterprise architecture in fiscal 2002.

Repairs to the department's financial management are long overdue. Pentagon audits regularly uncover billions of dollars in overpayments, poor billing practices and lost inventory. Since 1995, the General Accounting Office has listed the department's financial management among the worst federal management problems. And the Senate Governmental Affairs Committee in 1991 listed the department's poor bookkeeping as among the top government problems that needed to be addressed by the Bush administration.

One reason for the faulty bookkeeping is that the department's myriad systems cannot exchange information. Right now, Defense managers employ an error-prone method of manually transferring information from system to system in "too many cases," said former Pentagon Comptroller William Lynn.

So the contractor will need to sort through the hundreds of systems to find out where the disconnects are and to fix them.

Another challenge will be to make sure that various operations — such as logistics, acquisition or medical supplies — are linked to its financial-management systems, Lynn said.

In addition to the technical and planning challenges involved, there is another that project leaders must keep in mind: the challenge of not losing patience or resolve.

"The hardest part of [the financial management repair] is to stay with it until the end," Lynn said. "There's going to be no immediate gratification. This is going to take several years."

To strengthen the Pentagon's focus and priority on fixing the problem, Tina Jonas was made the first deputy Defense undersecretary who is specifically dedicated to the repair effort. Jonas and her staff already have begun taking inventory of the department's financial systems.

The contractor would support these efforts, double-checking the Pentagon's inventory, and moving ahead with developing a financial management enterprise architecture.

An enterprise architecture charts links between an organization's business operations and the supporting information systems. Architectures are taking on increasing importance in the Bush administration: The Office of Management and Budget threatens to withhold funding of information systems from agencies lacking enterprise architectures.

Several contractor teams are vying for the project.

KPMG Consulting Inc., in McLean, Va., and American Management Systems Inc., in Fairfax, Va., are interested in the contract, according to officials from both companies. An official from PeopleSoft Inc., based in Pleasanton, Calif., says the company is evaluating its participation.

"This is a project of strategic importance, as it will directly impact the development and deployment of advanced financial systems throughout the Department of Defense," said Jim Geiger, senior vice president of federal services at KPMG Consulting Inc.

### **A Tall Order**

A contractor will help the Defense Department develop plans to coordinate and modernize its 600-plus financial-management systems and achieve these goals:

- \*Ensure accurate, timely financial-management information for making business decisions
- \*Eliminate redundant databases and systems
- \*Standardize business and financial practices and systems
- \*Enable sharing of financial-management data across the department
- \*Enable collection of cost information by project, business line or weapon system life cycle
- \*Align financial management and cost management to performance goals
- \*Reduce the cost of financial management

*(Source: Defense Department)*

New York Times  
March 28, 2002

## **Pentagon Moves To Stop Credit Card Abuse**

By Reuters

WASHINGTON, March 27 — The Pentagon's top financial officer promised today that there would be a quick crackdown on abuse of government credit cards at the Defense Department.

"We are not going to let the grass grow under our feet on this one," said the department's comptroller, Dov S. Zakheim, after being ordered last week by the Defense Secretary, Donald H. Rumsfeld, to investigate reports by the General Accounting Office that there was significant cheating on travel and purchase cards issued by the Pentagon.

Mr. Zakheim told reporters that a Pentagon and Justice Department task force would draw up legislative proposals for Congress within 60 days and would consider internal changes like making credit card fraud a violation of the Uniform Code of Military Justice.

"Secretary Rumsfeld is moving very forcefully to correct these problems, which he considers to be very serious," Mr. Zakheim said.

He said at a news conference that most workers who use the department's 1.4 million travel credit cards and 207,000 purchase cards were honest, but that oversight needed strengthening.

The accounting office's figures showed, however, that more than 45,000 Defense Department employees had defaulted on at least \$62 million in official travel card expenses charged to the government.

Banks that issue the travel cards have been forced to write off the debt. Mr. Zakheim would not comment about reports of threats by Bank of America to cut off its card connection with the Pentagon, but he did say the department was in discussions with the bank.

Earlier this month, Senator Charles E. Grassley, Republican of Iowa, sent Mr. Rumsfeld a list of more than 700 military officers who Mr. Grassley said had defaulted on \$1.1 million in debts on their government-issued credit cards.

Mr. Zakheim said today that the Pentagon had gone to widespread use of credit cards for travel and purchases to improve efficiency in one of the world's largest businesses. "The issue is not to eliminate the cards," he said. "That is going backwards."

Defense Department employees are responsible for paying their travel card bills and are then reimbursed by the department. Purchase card charges are made directly to Pentagon accounts and paid by the department.

Mr. Zakheim said the department did not have an estimate on the extent of illegal transactions with purchase cards, but he told reporters that 90 people were under investigation for possible credit card fraud.

In one recent case, the Pentagon said, a Virginia man who worked for the department pleaded guilty to

money laundering, bribery and conspiracy for misuse of his credit card and those of other employees.

He was sentenced to 41 months in prison and ordered to pay \$400,300 in restitution and other fees.

Styles called this attitude a "fundamental shift" from the way that prior administrations have viewed competition, often favoring the private sector and outsourcing as a rule.

## OMB Circular A-76 needs an overhaul.

OFPP ADMINISTRATOR ANGELA STYLES

**Committee Members Skeptical of Process.** But Styles's remarks were met with concern and criticism from several committee members. Rep. Saxby Chambliss (R-Ga.) questioned the 5 percent and 15 percent competition mandates and whether the treatment of federal workers in competition is "fair and equitable."

Chambliss said "there are a number of programs where the private sector is doing the work that can be done better in-house, and we appear to making no effort" to rectify that situation.

"If we're going to mandate that 5 percent of contracts that are in-house need to be reviewed, then we ought to mandate that 5 percent of contracts that have been outsourced... should be reviewed also," he said, calling for a review of the mandated requirements.

Rep. Robert Underwood (D-Guam) expressed great concern about the "very debilitating" A-76 process, and called Style's testimony "uncompelling."

**A-76 Process 'Painful' But Effective.** Wynne and representatives from the military services echoed the same sentiment—that while A-76 sourcing is useful, it is also both unduly cumbersome and only one of several tools that should be employed for competitive sourcing.

"The A-76 competitive process is lengthy, complex, and frustrating for all involved," said Wynne.

Assistant Secretary of the Army for Installations and Environment Mario Fiori called the A-76 process "laborious and intimidating to our workforce," while Dominguez stated that A-76 is "painful," but that it shows "real, sustained, tangible rewards."

Dominguez said that the Air Force, who has been using A-76 "fairly aggressively since the 1960s," has been able to use those rewards "to invest in... modernizing our aircraft, buying spares, [and] more directly, we have been able to shift military [personnel] out of support operations and into things closer to the combat forces."

Most of the defense panelists also agreed that while A-76 is useful, it is not the only program that should be employed to address outsourcing and cost concerns. "We believe that the department and taxpayers are best served by employing a wide range of business tools... A-76 is one of these tools," Wynne said.

**Outsourcing of Military Security Possible.** One of the principal outsourcing areas discussed at the hearing was the possible outsourcing of military security guard services, which both committee members and panelists admit is taking needed combat and reserve troops away from critical missions.

In response to a question from the panel's ranking member, Ortiz, regarding the need for privatizing the base security function, Wynne said he "would like to give it a chance."

Ortiz expressed concern about the possibility of a union strike and the impact it could have on base security.

Wynne recounted his experience at the Department of Energy, where a private security force went on strike at the Rocky Flats facility in Colorado. He said DOE pulled people from other facilities to provide security, which was effective and could be done currently if the need arose.

Wynne said the government is currently using 130-150 national guard personnel to guard chemical and munitions facilities, and that the department would be "a heck of a lot better off if [it] could use good civilian forces," provided they are "well trained."

Both Johnson and Dominguez expressed support for having the option to contract those services out, but expressed reservations about national security concerns.

Fiori agreed, stating that the Army has used contractors in the past, and need to do so today, but must figure out which guard services are a priority for security reasons.

Styles said the decision should be left to individual agencies to determine which security guards are "inherently governmental" in nature and which, if any, can be contracted out.

**Editor's Note:** In a separate but related development, DOD issued an interim rule effective March 14 that provides an exception to the prohibition on contracting for security functions at a military installation or facility. The exception applies during the period of time that U.S. armed forces are engaged in Operation Enduring Freedom and 180 days thereafter. Comments on the interim rule are due May 13 (67 Fed. Reg. 11438, 3/14/02).

BY CHRISTOPHER J. ADAMS

## Purchase Cards

### DOD Clamps Down on Purchase Card Use, Lawmakers Assail Poor Oversight

**A**mid congressional criticism of egregious abuses of government purchase cards, Under Secretary of Defense for Acquisition, Technology, and Logistics Edward "Pete" Aldridge and Defense Department Comptroller Dov Zakheim March 12 issued guidance stressing current policy that Defense Department officials may use purchase cards only for authorized government purchases.

"Intentional use of the purchase card for other than official government business is a very serious matter that directly affects public confidence in the Department," Aldridge and Zakheim state in an internal memorandum obtained by FCR.

There are currently 1.7 million DOD credit cards in circulation that generate more than \$9 billion in expenditures annually—\$6.1 billion in purchase card transactions, and \$3 billion in travel expenses. Most of the 1.7 million cards are travel cards (1.4 million); the remainder are purchase cards (200,500). The cards also may be used by contracting officers and others with delegated procurement authority to pay vendors.

According to the Aldridge-Zakheim memo, commanders and managers at all levels are responsible for maintaining adequate internal review programs. In addition, they are responsible for investigating alleged

Only a handful of purchase cards will be reopened to support critical mission essential needs, she said.

Purchases under those accounts will require review by the local commander. In addition, the program office will monitor each purchase under those accounts. Other purchases must be made through other contracting procedures such as purchase cards, Lee explained.

All other SPAWAR purchase cards will remain suspended until Lee and other senior DOD and Navy management are satisfied that appropriate controls are in place and cardholders understand their duties and accountability to the taxpayer. Other cards will be reinstated on a phased basis.

The cards are issued by U.S. Bancorp and Citigroup Inc.

**Activities Take Corrective Actions.** Navy captain Patricia Miller, now SPAWAR commanding officer, told the panel the purchase card program is very important to the command. It provides a responsiveness and flexibility unheard of in Navy procurement. What once took weeks if not months to purchase now can take as little as a few hours.

However, management controls and command climate for the program must be improved. Steps already taken include:

- reducing by more than 30 percent the number of purchase cardholders as of March 1,
- increasing the number of approving officials providing purchase oversight and accountability by 228, and
- achieving a resulting ratio of cardholders to approving officials well within DOD's guidelines of 7:1.

In addition, the NPWC has reduced its cardholders from 229 in September 2000 to 173 as of March 2002.

The activity also has increased the number of approving officials and has reduced credit limits from approximately \$14 million to \$5.5 million.

**POGO Pounces on Proposal to Raise Ceiling to \$25K.** Meanwhile, Danielle Brian, the executive director of the Project On Government Oversight, a private watchdog organization, criticized the proposal by Rep. Tom Davis (R-Va.) to increase the micropurchase threshold from \$2,500 to \$25,000, calling it "a continuation of the efforts by acquisition reform lobbyists to reduce financial oversight and limit the ability of competition and free market forces to lead to smarter government spending."

DOD presently cannot account for one in four dollars it spends or \$1.1 trillion in missing expenditures, Brian asserted.

In addition, Brian said the purchase card problems are not localized abuses. "It is clear this is a systemic problem."

Similar abuses have been uncovered across the country, and in a different service—the Army. Examples include charges of \$981 for Atlanta Braves baseball tickets, \$235 for Six Flags Magic Mountain tickets, and \$111 at Victoria's Secret.

Creating a system where the oversight is largely the honor system is asking for trouble, Brian said. One cardholder indicted for making over \$17,000 in fraudulent personal transactions commented that illegal use of the credit cards was "too easy," and that she was the sole authorizer of card purchases. Brian said that, for the most part, the problem is not created by the existence of the purchase cards themselves, but with the re-

duced financial oversight that comes with "micropurchases" of \$2,500 or less.

By LEROY H. ARMES

## Defense Industry

### TRW Again Spurns Northrop's Bid, Plans Auto-Parts Spin-Off

**N**orthrop Grumman Corp., whose hostile attempt to take over TRW Inc. was recently rejected by TRW's board of directors, said March 13 it remains "fully committed" to its latest unsolicited exchange offer, even in the face of TRW's latest rejection of its offer, which was coupled with TRW's move to spin off its automotive business and possibly other sectors, including aerospace.

In a March 13 statement, TRW's board once again rejected Northrop's exchange offer as "financially inadequate and not in the best interests of TRW's shareholders," and further urged its shareholders to reject the offer, echoing the statement made by the board March 3.

In making its recommendation to reject the tender offer, TRW's board said that:

■ Northrop Grumman's offer "grossly undervalued TRW's businesses;"

■ Goldman, Sachs & Co. and Credit Suisse First Boston, TRW's independent financial advisors, stated that Northrop Grumman's offer was "inadequate to the company's common shareholders;" and

■ Northrop Grumman's tender offer price of \$47 per share was below the current stock market price of TRW's common stock—as of March 12 TRW's closing stock price was \$50.28 per share.

"Our board of directors continues to believe that \$47 [per share] is grossly inadequate and does not reflect the value of TRW's advanced portfolio of technology and unique market positions," stated TRW Chairman Philip Odeen.

Because of a "collar" that could result in a price of less than \$47 per share, "this offer is less favorable than Northrop Grumman's earlier proposal," Odeen explained.

**Initial Offer Rejected.** On Feb. 21, Northrop initially announced a proposal to acquire TRW for \$47 per share, or \$5.9 billion, plus the assumption of \$5.5 billion in TRW debt (77 FCR 205). On March 3, TRW rejected the offer as "grossly undervalued." At the time, TRW's stock price was trading at just over \$50 per share (77 FCR 238).

Northrop then made a hostile bid for TRW when it announced an exchange offer for all outstanding shares of common and preferred stock.

In addition, Northrop filed suit challenging the state of Ohio's anti-takeover laws, which are regarded as among the strictest in the nation.

TRW is based in Cleveland, Ohio; Northrop is based in Los Angeles.

**Kresa Criticizes TRW Decision, Denial of Information.** Northrop Grumman Chairman and CEO Kent Kresa criticized TRW's decision to reject Northrop's offer, stating that "if TRW's board and management want to maximize shareholder value, as they stated in today's release, then we would encourage them to sit down

now it is a much tougher case for the prosecution. The jurors now are operating under no illusions that she is going to be set free."

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Associated Press

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# Mugabe wins in Zim

By RAVI NESSMAN  
Associated Press Writer

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The government said Mugabe was re-elected to a six-year term with about 56% of the vote. Morgan Tsvangirai, who waged the first serious challenge to Mugabe since the nation obtained independence from Britain, had 42% of the 3.1 million votes cast.

Tsvangirai denounced the result as the "biggest election fraud" he has seen. The former labor leader also charged that the victory was "illegitimate in the eyes of the people."

The United States and several other nations said Mugabe's victory was tainted by violence and intimidation.

"We are dealing with our friend here, and we have to figure out how to deal with this situation," President George W. Bush said at a news conference. Secretary of State Colin Powell said in a statement that the election "thwarted the will of the people."

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